# When Does a 401(k) Rollover Make Sense?

With the ever-changing landscape of taxes, it is growing increasingly difficult to understand how legislation affects clients and could possibly impact their financial future. As a leader in the financial services industry for the past 30 years, we get it. That's why HD Vest Financial Services® is constantly seeking ways to share the latest knowledge we acquire with you. We've created the Taxes & Investments: Timely and Timeless Strategies Series to share timely information and provide our Advisors and their clients with practical information and ideas they can build on.

When an individual retires, gets laid off or changes employers, they are faced with the important decision of whether or not to roll their 401(k) into an IRA. People work hard to build up this important nest egg, and want to take a course of action that best protects their financial future.

**There are many reasons to roll an employer retirement plan into an IRA:**

- Typically, company plans offer limited investment choices. By moving the 401(k) into an IRA, an investor has the flexibility to invest in almost any investment option.

- IRAs have flexibility that allows you to withdraw money whenever you need it. These withdrawals may be subject to tax and/or penalties if the withdrawals are taken before age 59 ½.[1]

  *Note: Withdrawal rules for 401(k)s vary, so it is important to check with your Human Resources department. Some 401(k)s limit the frequency of withdrawals, while others may require total distribution to get any money out of the plan.*

- IRAs offer individuals a place to consolidate 401(k)s from multiple companies into a single account. With all retirement savings in one place, it's easier to monitor investments, set appropriate asset allocations and rebalance. Conveniently, all of this can happen in one place on one account statement.

- IRAs allow a simplified Required Minimum Distribution (RMD) calculation. With traditional IRAs, the RMD is based on the total amount in all IRAs, and distributions can be taken from any account or any combination of accounts.[1] 401(k)s at age 70 ½ require a separate RMD calculation and the distribution must come from the 401(k) account.[2]

- An IRA allows beneficiaries the opportunity to take tax-deferred distributions during their lifetimes.[1] 401(k) plans may force heirs to distribute all assets after the account holder dies.

**There are also times where it can make sense to keep retirement assets in a 401(k):**

- If an individual leaves their employer between ages 55 and 59 ½, they can take penalty-free withdrawals from a 401(k). Income taxes will still apply, but the 10% penalty will not.[2]

When assets are rolled into an IRA, the owner must wait until age 59 ½ to withdraw assets without a penalty.[1]

- 401(k)s may provide stronger creditor and bankruptcy protection than IRAs depending on the state.

Whether or not to roll a 401(k) to an IRA is a decision that is best made with the help of a trusted HD Vest Financial Advisor. Every individual's situation is unique and requires custom-tailored advice. HD Vest Advisors are in a unique position to provide this advice because they not only understand the possible tax consequences of rolling a 401(k), but they can also provide the much needed investment guidance once it has been rolled.

Sources: 1. IRS Publication 590 - http://www.irs.gov/publications/p590/
2. IRS Publication 560 - http://www.irs.gov/publications/p560/